

INTRODUCTION

Doing business on the internet can be very lucrative. You reach a wide range of potential customers. You don't have to spend much money, either. Websites and payment services can automate nearly every part of a transaction so all you have to do is pack your products and ship them out once the orders come rolling in.

However big your business may be, there are three things you need to organise before you start selling on the internet. First, you need to make a catalogue of products or services available on the web. Second, you need some way of receiving orders. Third, and most important of all, you need a method of transferring your customers' money to you.

In this month's *Business Help*, we show how to get started online with the minimum of expense and technical expertise. We also explain how to expand if your online emporium does better than expected. You may be sceptical that there's a global market for your products, but you've nothing to lose and potentially everything to gain.

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Setting up shop on the web

Selling goods and services online is surprisingly easy and needn't cost a fortune, as Simon Edwards explains

Q We run a small business designing and selling pre-made and made-to-measure picture frames. Our range of standard-sized frames is popular locally and would be an ideal size and weight for selling by mail order. We also have packaging that would allow us to send frames safely in the post. While most of our customers visit us, we could easily work from measurements sent through email, and have done so in the past. The workshop is much bigger than we need, and should a little more business come our way we could cope quite easily.

What is the best way for us to start selling on the internet? Ideally, we'd like to have a website that lets people order our standard frames and send in measurements for non-standard frames. We don't want to spend a great deal of money expanding to the internet. We're not sure that there will be a huge demand, and if lots of people do want to buy from us, we're worried we won't be able to cope with the rush.

David Rogers, In The Frame



A You don't have to be a multinational company to trade online. The amount of time, money and effort that you spend creating your online shop largely dictates how professional the results will look to potential customers and how seamlessly they will fit with your existing business. Still, it's easy to find the right balance and create a site that is affordable, attractive and easy to use.

GETTING PAID

The first step to selling online is setting up a way to be paid. Cash is clearly out of the question, unless you intend to request cash on delivery. This isn't a very practical approach, as you might be sending items abroad. Cheques and postal orders are not in the spirit of fast electronic commerce. Ideally, you'll be able to accept electronic payments from credit and debit cards, and possibly from payment services such as PayPal too.

If you're an established business, you'll probably already have a business account with your bank. You may have access to services that allow you to accept credit card payments. To enable your business account to accept these you need a merchant account, which your bank should be able to supply. Barclays provides a good value account for those who operate from a business address. It has a setup fee of £125 inc VAT and charges a commission of around 2.5 per cent on credit card payments and between 30p and 40p for debit cards.

It is possible to operate without a merchant account by signing up to a service such as PayPal or WorldPay, but merchant accounts are easy to apply for and inexpensive to run. For more information about credit card payments, see our Merchant Banking box opposite.

BRANDED PRODUCTS

Some small organisations such as sports clubs might want to sell branded T-shirts, mugs, hats and other promotional items. If that's the height of your ambition then an online service such as CafePress.com

(www.cafepress.com) can do all the work for you. You simply set up an account and provide a logo or other artwork. The company creates a personal website that can accept orders for a range of items that it supplies, sends out the items and credits your account with a commission. You decide how much this commission is by increasing the cost of the item. For example, if you want to promote a business by selling branded hats, you'd choose a style of hat, upload the logo and adjust the price. The base price of a cap at CafePress.com is \$13 (around £7); if you increase this to \$18 (around £10) you'll earn \$5 (around £2.90) for every cap sold.

However, for our picture-framing business, this isn't a viable way to sell online. You might make a few pounds with a promotional T-shirt saying "I was framed by..." and the company logo, but if you want a larger chunk of the profits you'll need to do more work.

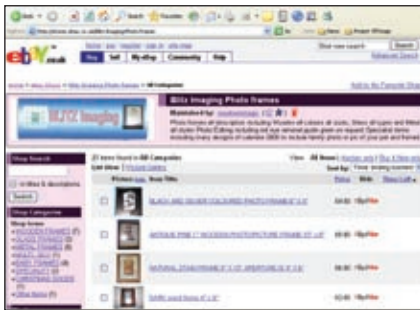
EXISTING WEBSITES

If you already have a website that contains a basic list of products for sale, you can instantly turn it into an online shop using PayPal's Buy This buttons. Log into PayPal and go to the Merchant Tools section of the site. This lets you build a button that you can paste into your site. You can customise it with the specific price and details of the item you want to sell, plus any shipping information, sizes, colours and so on. PayPal then generates HTML code that you place on your site.

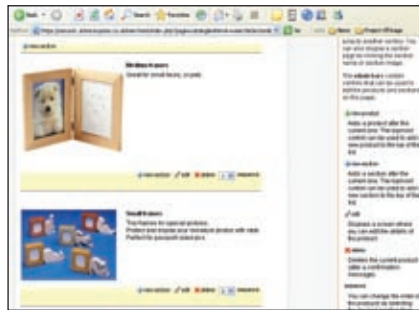
When a visitor clicks on the button, he is taken to PayPal's site, which confirms the transaction and transfers money from his PayPal account to yours, or accepts credit and debit card details. Visitors without a PayPal account have the chance to create one, but they don't need one to make card payments.

ADDING A SHOP

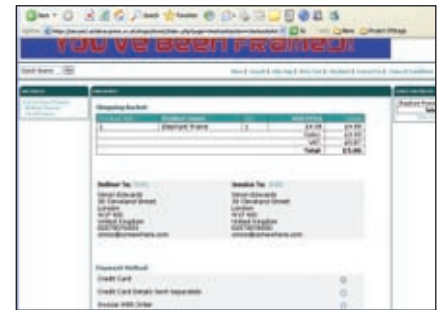
PayPal buttons are OK if you have a small number of items for sale and you don't expect your customers to buy more than one thing at a time, but the service is



▲ An eBay shop can contain a list of your auctions, as well as items with pre-set prices. You can create categorised sections to group different types of stock together



▲ Actinic Express's web interface makes it easy to create a store, adding sections that contain different categories of items, and uploading pictures and descriptions is straightforward



▲ Visitors to your online store can add items to a cart and pay using a credit card, assuming you've set up an account that is capable of receiving such payments

limited. If you have lots of things to sell, want an easy way to monitor sales and update prices and require a shopping cart to which visitors can add items, you should build your own web shop.

The easiest way to do this is to subscribe to an online service that charges a monthly fee and lets you create an online store using a step-by-step wizard approach. The store is hosted by the company you sign up with and you link to it from your own website. Actinic Express (www.actinixpress.co.uk) costs £20 per month and allows you to make your own online shop. It comes complete with a secure connection for transferring credit and debit card numbers. There is also a £50 setup fee. A similar system is available from 1&1 (www.1and1.co.uk), which has options costing £10, £20 and £40 per month. The cheapest option does not support online credit card transactions, though.

Alternatively, you could set up an eBay Shop (<http://stores.ebay.co.uk>). From £6 per month, eBay will host your store, which can be customised. The most basic shop allows you to create five customised pages. A £30 monthly fee increases this to 10 customised pages, and also provides monthly sales reports and an increased profile on eBay's site.

Creating your own eBay store is a great way to bring your auctions and fixed-price items together in one place. It is also possible to do cross promotions, where the site highlights certain additional products to visitors.

BUILDING OFFLINE

One of the benefits of selling over the internet is that a website can automate a lot of your business. If you want to get serious about retailing online, your shop needs to work hard, managing stock, integrating with your accounts software and looking after your customers as individuals. Ideally, the shop will run inside your own website, rather than from a third party's site such as eBay or Actinic. By sharing the same web address and design as the main site, the shop looks more professional.

You could pay a web design company to custom-build an e-commerce site for you, but this might prove expensive. Alternatively, you could learn to program a language such as Perl or PHP, but this would be time-consuming. A good compromise is to buy a program such as Actinic Catalog. This runs on your office computer and can contact your site, updating the online catalogue and downloading orders. The standard version costs £445 including VAT. This might seem expensive, but if you are committed to trading online, you'll save money in the long run. If you were to subscribe to a £20 per month online shop service for two years, you'd end up spending more.

CUSTOM ORDERS

This month's questioner wants to allow customised orders for made-to-measure picture frames. You need to receive certain details, such

as the dimensions of the picture to be framed, and send a quote. You then need to be able to accept the order and bill the customer. This type of transaction is less easily automated.

You could set up a basic form on your website that allows users to fill in their picture's dimensions and have it emailed to you, or you could simply provide instructions on which information you need and provide an email address. When it comes to getting paid, PayPal Email Payments would work. This allows you to bill people with an email, which directs them to PayPal's site and helps them credit your account.

A more flexible alternative is a virtual terminal service. This is a web-based system that does the same job as those handheld devices that swipe credit and debit cards. You can receive card details by phone, fax or post. Although there's no technical reason why you can't, you should not request credit card details by email for security reasons. Email is less secure than a phone call or a secure website.

Protx provides a service called VSP Terminal, which costs £10 per month if you make fewer than 300 transactions per month. If you make more, the fee may increase to £20, or you may end up paying 10p per transaction, depending on how many transactions you make each month.

SecureHosting's Virtual Terminal service has a one-off setup fee of £25, after which you pay for each transaction according to its unusual system of credits. These are described below. **■**

Merchant banking The cost of accepting credit cards

If you want to take credit card payments over the internet, you need three things: a bank account, a merchant account and an online payment gateway. In most cases, the merchant account will be provided by your bank, but on its own it doesn't allow you to take card payments. For that, you can either rent a card-swiping machine from the bank or use an online service.

Online payment gateways take the money from your customers and transfer it your merchant account, minus a commission. The bank will also take a commission before giving you the balance. Examples of such services include PayPal, Protx, SECPay and WorldPay. The main distinguishing factors are the transaction charges. These usually decrease as the number of orders increases.

A basic SECPay account costs £10 per month. Each transaction costs a further 39p, assuming that you make fewer than 60 sales per month. If you make more than 60 sales,

you pay less on the transaction (20p) but you must pay a higher monthly fee.

SECPay is good for those who make few, large transactions. Protx is better for those who generate lots of transactions, regardless of their value. If you can keep the numbers above 1,000 per quarter and above 200 every month, you avoid any monthly fees and pay just 10p on each transaction.

SecureHosting has a different system, which is why it's not included in the table below. To

use the service you need to buy credits, one for each transaction. If you buy a pack of 100 credits you'll pay £25, which works out at 25p per transaction. A pack of 1,000 credits costs £149, which means each transaction will cost just under 15p. Busy businesses can buy up to 50,000 credits in one go for £4,000, which works out as 8p per transaction. These fees do not include setup and annual fees, which may be around £60 and £85 respectively.

	SETUP FEE	MONTHLY FEE	TRANSACTION CHARGES	NUMBER OF TRANSACTIONS	TOTAL MONTHLY SALES
PayPal	None	None	3.4 per cent plus 20p	Any	£0-£1,500
	None	None	2.9 per cent plus 20p	Any	£1,501-£6,000
Protx	None	£20	None	Under 1,000 per quarter	Any
	None	None*	10p	1,000 or more per quarter	Any
SECPay	None	£10	39p	Under 60 per month	Any
	None	£20	20p	60-800 per month	Any
WorldPay	£200	£30**	4.5 per cent for credit cards; 50p for debit cards	Any	Any

*£20 fee, if less than 200 in a month **Six months in advance